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RUEHCN/AMCONSUL CHENGDU 1209
RUEHGZ/AMCONSUL GUANGZHOU 9254
RUEHHK/AMCONSUL HONG KONG 6298
RUEHGH/AMCONSUL SHANGHAI 0065
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C O N F I D E N T I A L SECTION 01 OF 02 TAIPEI 001386

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TAGS: [PGOV](#) [ECON](#) [CH](#) [TW](#)

SUBJECT: MAC CHAIRMAN SEES HINTS OF CROSS-STRAIT MOVEMENT

REF: A. 2005 TAIPEI 0130

[1](#)B. TAIPEI 1341

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Classified By: AIT Director Stephen M. Young. Reason(s):
1.4 (B/D)

[1](#)1. (C) Summary. Mainland Affairs Council (MAC) Chairman Joseph Wu told the Director April 18 that there are hints of movement on both sides of the Taiwan Strait. He noted some flexibility on the PRC side during the Lien Chan visit to Beijing, and he acknowledged that Taipei is under domestic political pressure to show greater flexibility. Explaining that private negotiations are continuing in Macao, Wu said some progress has been made recently via that channel, with Beijing slightly more accommodating on passenger and cargo charter flights. Wu indicated an interim agreement on holiday charters may be reached within the next few weeks. The question remains whether this is just one more tactical shift by the government, or whether the two sides will be able to move forward on a practical cross-Strait agenda. End Summary.

[1](#)2. (C) MAC Chairman Joseph Wu (Chao-hsieh) started his April 18 meeting with Director Young with a critical assessment of Lien Chan's visit last weekend to Beijing, stating that Beijing's agricultural marketing offers were "rather empty," merely "for publicity." Beijing's promises to purchase fish from Taiwan fishermen, he argued, would bring little benefit to Taiwan, which actually needs to import fish. On Beijing's biggest gift, new regulations for PRC tourism to Taiwan, he noted that Taiwan was working to find the most appropriate formula for establishing an appropriate counterpart to the PRC's tourism industry association for cross-Strait industry-led discussions. The head of the Travel Agents Association of Taiwan (TAAT), Wu noted, will go to Beijing on April 20 to discuss the two organizations, as well as to seek clarification on PRC statements during the Lien Chan visit.

[1](#)3. (C) After his boiler-plate critique, however, Wu then acknowledged to the Director that Hu Jintao had actually shown "some flexibility" during Lien Chan's Beijing visit. Hu did not mention "one China" and only raised the "1992 consensus," although even the latter, he said, would face

political difficulties in Taipei. Complaining that Beijing had never responded to President Chen Shui-bian's January 2005 proposal to use the "results" (jieguo) of the 1992 Hong Kong meetings as a basis for renewed negotiations, Wu speculated that the 1993 Wang-Gu meeting in Singapore might be able to provide a basis for negotiations. (The 1999 Wang-Gu meeting in Shanghai, he noted, was only a "meeting," not a "negotiation.") The Taiwan government, Wu acknowledged, "must be a bit flexible and compromise, otherwise we will be bitterly criticized by the opposition parties." Wu noted that PFP legislator Chang Hsien-yao, Soong's right-hand man, recently suggested to him that he should accompany PFP Chairman James Soong on his next visit to Beijing, probably sometime this summer. "I like that idea," Wu mused, but he wondered aloud whether Beijing would accept his presence.

¶4. (C) Wu told the Director that the Taiwan government had recently made some concessions. Last week, he said, Premier Su Tseng-chang approved changes in Taiwan's restrictions on investment in the PRC in the manufacturing of small-size TFT/LCD panels, although large-size panel manufacturing products would "stay in Taiwan." The Executive Yuan (EY), moreover, has approved an application by Tungbao Co. for a joint venture with Phillips (Dutch) in the PRC. Vice Premier Tsai Ying-wen, moreover, Wu said, has directed MAC to rethink

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Taiwan's cross-Strait policy -- "all parts of it" -- in preparation for an economic meeting planned for Taipei in May or June. The 40 percent limit on Taiwan firms' investment in the PRC, for example, might be increased, Wu suggested. He noted that he and Vice Premier Tsai had been making the rounds meeting with opposition parties to try to build acceptance of this approach.

¶5. (C) In addition, Wu told the Director, private negotiations on charter flights between Taiwan and the PRC have continued in Macao, even in the run up to Lien Chan's

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visit. The participants in these talks, he explained, were the same as in the so-called "Macao model" negotiations for the 2005 lunar new year flights (i.e., two airline industry representatives and one official each from the Civil Aeronautics Administration, MAC and the Straits Exchange Foundation; see Ref A). In earlier discussions Beijing, however, had stymied progress by focusing only on passenger charter flights and downplaying cargo charter flights, Taiwan's top priority. It had also adamantly refused to allow Taiwan cargo aircraft to land in Shanghai, the most important location for Taiwan business, and sought to limit the number of cargo flights to just one per day for each side.

¶6. (C) Recently, however, Wu told the Director, there have been some signs of progress in the Macao channel as Beijing "softened" its position and became more accommodating on cargo charters. Both sides have come close to reaching a full package agreement on passenger and cargo charter flights and PRC tourists to Taiwan. However, the agreement on tourism still required additional negotiations. In the interim the two sides were prepared to move forward on a smaller agreement on, for example, expanding charter flights to other major holidays. On April 7, the PRC agreed to allow Taiwan charters to land in Shanghai and to double the number of flights from the one flight per day they originally proposed to two per day. In addition, he noted, the two sides were close to an agreement on humanitarian, or medical, charter flights. The main problem, Wu lamented, was the absence of a Taiwan domestic consensus on cross-Strait relations. The Director responded that there was, in fact, a consensus, and it was color-blind (i.e., Green-Blue politics) and supported cross-Strait stability and maintaining the status quo.

17. (C) Comment. After lambasting the Lien Chan visit as "shameful" and "unconscionable," the Chen administration appears to be taking a different, more moderate tack. MAC Chairman Wu was more flexible and less contentious than usual in his most recent meeting with the Director on April 18. On April 19, Premier Su stated that the government might honor some agreements reached during the Lien Chan trip that are in Taiwan interests and do not violate Taiwan sovereignty. The same day, Chairman Wu announced that the government might be willing to help market Taiwan agricultural products in Mainland China (this may have been in part in response to the bitter criticisms by Taiwan fishermen and farmers of the Chen government's failure to help market their products in the PRC).

18. (C) Vice Premier Tsai Ying-wen's visits to KMT and PFP legislative caucuses this past week, usually in the company of Chairman Wu, appear to have also helped lower the rhetoric on cross-Strait issues. These tentative signs of movement on the Taiwan side were already in process before the Lien visit, but were probably nudged forward by the Lien trip. Chairman Wu's pledge on April 12 to move forward on PRC tourism to Taiwan, unilaterally if necessary (Ref B), was almost certainly timed to steal some of Lien Chan's thunder. While this may in part reflect a Chen government response to the media hype and the public opinion poll approval of Lien Chan's trip, it also reflects the Chen government's caution in the run up to Hu Jintao's visit to Washington, D.C. Whether this represents a change toward greater flexibility, or just temporary tactical caution relative to the Hu Jin-tao visit may begin to clarify in the days following Hu's departure from Washington, D.C. End Comment.
YOUNG